

Message Text

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PAGE 01 DAR ES 02779 01 OF 02 311228Z

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ACTION EB-07

INFO OCT-01 AF-06 ISO-00 FEA-01 OPIC-03 XMB-02 AGR-05

CEA-01 CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07

INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 STR-04 TAR-01 TRSE-00 USIA-06 PRS-01

SP-02 OMB-01 SCS-03 SCA-01 FTC-01 JUSE-00 EUR-12 /109 W

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FM AMEMBASSY DAR ES SALAAM

TO SECSTATE WASHDC 9110

LIMITED OFFICIAL USE SECTION 1 OF 2 DAR ES SALAAM 2779

E.O.11652: N/A

TAGS: ETRD, EINV, TZ

SUBJECT: TRADE ACT OF 1974 -- COUNTRY ELIGIBILITY FOR GENERALIZED
PREFERENCES

REF: STATE 168984; AND DAR ES SALAAM 0776

1. FOLLOWING, IN RESPONSE TO REQUEST IN DEPTTEL, UPDATES INFORMATION
PROVIDED IN OUR REFTEL:

2. VON ZASTROW COFFEE ESTATE CONTINUES TO BE MOST DIFFICULT AND
LOOKS TO BE MOST PROLONGED COMPENSATION CLAIM UNDER CONSIDERATION
IN TANZANIA. HOWEVER, ALL COFFEE ESTATE COMPENSATION CLAIMS TO
HURDLE IMPORTANT BARRIER END OF AUGUST WHEN REPRESENTATIVES OF
VON ZASTROW AND OTHER FORMER OWNERS OF NATIONALIZED COFFEE
ESTATES MEET FOR THREE DAYS WITH MINFIN OFFICIALS IN DAR ES
SALAAM TO DISCUSS THEIR DIFFERENCES. MAJOR POINTS TO BE COVERED
(AS THEY APPLY TO VON ZASTROW CASE) ARE LISTED BELOW:

A. PROFITABILITY. GOVERNMENT HAS MADE DECISION TO ASSESS
VALUE OF THE ESTATES ON BASIS OF PROFITABILITY. THERE IS
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PAGE 02 DAR ES 02779 01 OF 02 311228Z

SOME QUESTION AS TO WHETHER PROFITABILITY IS TO BE DETERMINED

ON FIVE YEAR PERIOD PRIOR TO OCTOBER 1973 OR ON THE BASIS OF QTE POTENTIAL PROFITABILITY UNQTE. (FYI: NOT CERTAIN, BUT TANGOV MAY WISH TO USE GUIDELINE OF QTE POTENTIAL PROFITABILITY UNQTE TO GIVE ADDITIONAL SUPPORT FOR LOWER COMPENSATION AWARDS. SINCE NATIONALIZATION OF ESTATES, THEY HAVE BEEN POORLY MANAGED AND MAJORITY OF ESTATES -- ACCORDING TO SENIOR EXECUTIVE OF COFFEE BOARD -- ARE NOW BANKRUPT.)

B. DIRECTORS' FEES. PART OF PROFITABILITY QUESTION RELATES TO WHETHER DIRECTORS' FEES ARE PART OF NET PROFITS OR NOT. MOST OF COFFEE ESTATES WERE FAMILY-OWNED AND INCORPORATED ENTERPRISES IN WHICH EACH ADULT MEMBER OF FAMILY HELD A DIRECTORSHIP. TAXWISE IT WAS TO OWNERS' ADVANTAGE TO PAY LARGE SHARE OF PROFITS OUT AS DIRECTORS' FEES. WE UNDERSTAND THIS IS COMMON BRITISH PRACTICE WHICH TANGOV ALLOWED TO CONTINUE AFTER INDEPENDENCE. IF DIRECTORS' FEES ARE NOT TAKEN INTO CONSIDERATION WHEN DETERMINING NET PROFIT, THEN ALL ESTATES CAN BE SHOWN TO HAVE EARNED VERY SMALL PROFITS OVER YEARS AND, THEREFORE, THE MODEST SIZE OF COMPENSATION AWARDS. THIS FACT EXPLAINS WHY, WE BELIEVE, VON ZASTROW ESTATE HAS BEEN EVALUATED BY TANGOV TO BE WORTH \$18,000.

C. BLOCKED BANK ACCOUNTS. AT TIME OF NATIONALIZATION ALL BANK ACCOUNTS OF ESTATE OWNERS WERE BLOCKED. IN THE CASE OF VON ZASTROW, HIS BANK ACCOUNT (WHICH NOW INCLUDES PAYMENTS SUBSEQUENTLY MADE TO HIS ACCOUNT FOR COFFEE MARKETED BEFORE NATIONALIZATION) PRESENTLY CONTAINS US \$5,200 IN TANZANIAN SHILLINGS. TANGOV HAS HELD VON ZASTROW BANK ACCOUNT SHOULD BE LISTED AS ASSET WHEN COMPUTING COMPENSATION AWARD. THIS MEANS THAT VALUE OF PROPERTY AND IMPROVEMENTS ON ESTATE ITSELF -- WHICH CONSIST OF 41,000 TREES AND VERY COMFORTABLE FARM HOUSE (SEE PARA 2-D) ON 275 ACRES -- IS ONLY \$14,500.

D. NON-AGRICULTURAL ENTERPRISES. VON ZASTROW, LIKE OTHER COFFEE ESTATE OWNERS IN THE AREA AT TIME OF NATIONALIZATION, HAD BUSINESS ON SIDE WHICH WAS COMPLEMENTARY TO HIS COFFEE OPERATIONS. IN VON ZASTROW'S CASE, HE RAN LUXURY SAFARI BUSINESS WHERE GUESTS WERE INVITED TO SPEND TIME ON HIS COFFEE ESTATE QTE LOCATED ON SLOPES OF MOUNT KILIMANJARO UNQTE. LOCATION OR SETTING OF HIS PROPERTY AND ITS PROXIMITY TO LIMITED OFFICIAL USE

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PAGE 03 DAR ES 02779 01 OF 02 311228Z

SEVERAL SCENIC AND INTERESTING EAST AFRICAN GAME PARKS ALLOWED HIM TO ATTRACT PRESTIGIOUS CLIENTELE (PRESIDENT OF BANK OF AMERICA, AS ONE EXAMPLE). NATIONALIZATION ORDER FORCED HIM TO ABANDON HIS SAFARI BUSINESS WHICH CONTRIBUTED APPROXIMATELY 50 PERCENT OF HIS INCOME. ALTHOUGH VON ZASTROW SOLD OFF MOVEABLE ITEMS (PRIMARILY VEHICLES AND CAMPING GEAR), HIS HOUSE, REMODELED TO ACCOMMODATE GUESTS, WAS NATIONALIZED AS PART OF THE COFFEE ESTATE. SO FAR AS WE CAN DETERMINE, TANGOV

HAS NOT TAKEN VON ZASTROW SAFARI BUSINESS INTO CONSIDERATION
NOR INVESTMENT IN HIS HOME, AS UNIT WHICH PROVIDED LODGING PLACE
FOR HIS PAYING GUESTS, WHEN COMPUTING HIS COMPENSATION AWARD.

3. IN PERIOD IMMEDIATELY FOLLOWING NATIONALIZATION, MANY
FORMER ESTATE OWNERS HIRED INDEPENDENT EVALUATOR FROM NAIROBI
TO ESTIMATE VALUE OF ESTATES. WE ADVISED VON ZASTROW TO FOLLOW
SUIT, BUT HE DECLINED ON GROUNDS THAT HE DID NOT HAVE MONEY
(PRESUMABLY BECAUSE OF BLOCKED BANK ACCOUNT) TO PAY EVALUATOR.
CONSEQUENTLY, IT IS OUR OPINION -- AND ONE THAT IS SHARED BY
VON ZASTROW'S LEGAL ADVISOR RESIDENT IN TANZANIA -- THAT WE
WILL HAVE TO AWAIT AWARDS ON OTHER COFFEE ESTATES BEFORE WE
CAN JUDGE ADEQUACY OF FINAL AWARD MADE TO AMCIT.

4. WE HAVE WORKED CLOSELY WITH UK HIGH COMMISSION (UKHC)
WHICH HAS SEVERAL COFFEE ESTATES WHERE THE QUESTION OF ADEQUACY
OF COMPENSATION IS IN DISPUTE. UKHC WORKING HARD ON THREE
PRECEDENT-SETTING CASES WHICH WILL HAVE RIPPLE EFFECT WHEN
DETERMINING THE REMAINING 45 COMPENSATION CLAIMS. GENERAL
BELIEF BY ALL CONCERNED (INCLUDING TANGOV OFFICIALS) IS THAT
ONCE AGREEMENT REACHED ON AWARDS FOR THOSE THREE ESTATES, ALL
OTHER OUTSTANDING CLAIMS CAN FOLLOW QUICKLY. SIZE OF COMPEN-
SATION CLAIMS MAY BE INCREASED BY RECENT BRITISH-FINANCED
BUY-OUT OF WEST KILIMANJARO WHEAT ESTATES BY TANGOV. (SEE DAR ES
SALAAM A-185, OCT 4, 1974) TANGOV
HAS STUDIOUSLY AVOIDED MAKING COMPARISON ON SIZE OF AWARDS FOR
WHEAT FARMS AS COMPARED WITH COFFEE ESTATE AWARDS, BUT BRITISH
PRESSING IT HARD TO DO SO.

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PAGE 01 DAR ES 02779 02 OF 02 311232Z

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R 311125Z JUL 75
FM AMEMBASSY DAR ES SALAAM
TO SECSTATE WASHDC 9111

LIMITED OFFICIAL USE SECTION 2 OF 2 DAR ES SALAAM 2779

5. APPRECIATE DEPT ADVISING EMBASSY ON POINTS RAISED UNDER
PARA 2. SEVERAL OF THESE POINTS ARE DISCUSSED IN GREATER DETAIL
IN LETTER DATED MARCH 10 ADDRESSED TO THEN TANZANIAN DESK OFFICER
GREG GAY FROM EMBASSY ECONOMIC/COMMERCIAL OFFICER LUCIUS.
QUESTION OF DIRECTORS' FEES AND MATTER OF COMPENSATION FOR
VON ZASTROW SAFARI BUSINESS PARTICULARLY IMPORTANT AT THIS
TIME. ESSENTIAL WE HAVE RESPONSE WITHIN NEXT THIRTY DAYS
TO ALLOW TANGOV TO FULLY UNDERSTAND OUR VIEWS ON THESE
QUESTIONS. TO ASSIST DEPT IN REPLYING TO THIS REQUEST,
WE ARE TRANSMITTING, BY DS-4 TO AF/E, MINUTES OF JULY 9,
1975, MEETING IN WHICH FORMER OWNERS (OR THEIR REPRESENTATIVES)
OF NATIONALIZED COFFEE ESTATES DISCUSS ENTIRE ISSUE OF COMPEN-
SATION AWARDS. BELIEVE POINTS MADE IN THESE MINUTES WILL
ADD DETAIL TO QUESTIONS AND ISSUES RAISED ABOVE.

6. THERE ARE THREE OTHER COMPENSATION CASES PENDING WHICH WE
HAVE NOT LISTED PREVIOUSLY BECAUSE THEY ARE SMALL (LESS THAN
\$30,000 EACH) AND APPEARED TO BE ON THEIR WAY TO EARLY
RESOLUTION. ALTHOUGH WE ARE HOPEFUL THAT A SATISFACTORY
SETTLEMENT CAN BE REACHED TO SATISFACTION OF ALL PARTIES
WITHIN NEXT FEW MONTHS, WE LIST THEM BELOW:
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PAGE 02 DAR ES 02779 02 OF 02 311232Z

A. TWA HOUSE -- TANGOV PRECIPITOUSLY DECLARED TWA HOUSE
ABANDONED IN 1973 (AND HOUSE WAS THEN ACQUIRED BY STATE-OWNED
COMPANY) AS TWA WAS ARRANGING FOR ITS SALE. MINISTRY OF LANDS,
HOUSING AND URBAN DEVELOPMENT, ONE YEAR AGO, HAS
DETERMINED THAT TWA HOUSE SHOULD NOT HAVE BEEN ACQUIRED BY
TANGOV. DECISION WAS TAKEN (AND TWA LEGAL REP FROM PARIS
CONCURRED) TO HAVE STATE-OWNED COMPANY PAY COMPENSATION TO
TWA. HOWEVER, STATE-OWNED COMPANY DOES NOT HAVE FUNDS AVAILABLE
FOR PURPOSE AND PROCRASTINATED UNTIL TWA AGAIN SOUGHT OUR
ASSISTANCE TO RESOLVE MATTER. EMBOFF SUBSEQUENTLY SPOKE TO
MINISTRY OF LANDS OFFICIAL, AND HE HAS DECIDED THAT BEST COURSE
OF ACTION IS TO RETURN HOUSE TO TWA. TWA PARIS REP INFORMED
THIS PLAN AND HE IS FLYING TO DAR ES SALAAM AUGUST 7 WITH HOPE
OF NEGOTIATING FINAL SETTLEMENT.

B. STADLER/FORBES HOUSES -- TWO HOUSES, LOCATED IN TANGA,
WERE INHERITED BY TWO AMCITS FROM THEIR PARENTS. ONE AMCIT,
BARBARA E. STADLER, 1071 SOUTH WHITING STREET, ALEXANDRIA,
VIRGINIA (WHO IS ACTING ON BEHALF OF HER SISTER IN SEEKING

COMPENSATION FOR BOTH HOUSES) HAS ENGAGED DAR ES SALAAM LAW FIRM TO REPRESENT HER IN HANDLING COMPENSATION CLAIMS. HOUSES WERE ACQUIRED BY TANGOV IN AUGUST 1970 WHEN IT ISSUED QTE REVOCATION OF RIGHT OF TITLE UNQTE AS PART OF PROGRAM TO TAKE OVER ALL RENTAL PROPERTIES IN TANZANIA WHICH EARNED OVER \$110 PER MONTH. LAWYER HANDLING CASE REPORTS COMPENSATION AWARD MOVING AHEAD BUT AT GLACIAL PACE. SAME MINISTRY OF LANDS OFFICIAL, WHO HAS BEEN BOTH ACTIVE AND SYMPATHETIC IN HANDLING TWA CLAIM, IS NOW TRYING TO GET APPROPRIATE OFFICIAL AT REGIONAL GOVERNMENT LEVEL TO SIGN OFF ON COMPENSATION REPORT WHICH WAS ALL BUT COMPLETED SEVERAL WEEKS AGO.

7. RE PARA 3 OF DEPTTEL, BELIEVE IT ENTIRELY USEFUL FOR DEPT OFFICERS TO PERIODICALLY REVIEW MATTER (AS WE DO HERE WITH TANGOV OFFICIALS) OF COMPENSATION CLAIMS WITH TANZANIAN EMBASSY OFFICIALS. MOST TANGOV OFFICIALS AT WORKING LEVEL ARE SYMPATHETIC TO MATTER BUT NEED PRODDING TO MAKE CERTAIN THAT ISSUE IS NOT FORGOTTEN AND CAN HAVE IMPORTANT CONSEQUENCES TO US-TANZANIAN TRADING RELATIONSHIPS.

8. EMBASSY REGRETS DELAY IN SUBMITTING REPLY TO DEPTTEL. LETTER LIMITED OFFICIAL USE

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PAGE 03 DAR ES 02779 02 OF 02 311232Z

FROM VON ZASTROW'S LEGAL REPRESENTATIVE (RESIDENT IN ARUSHA) WAS LOST IN MAILS AND TIME WAS LOST OBTAINING DUPLICATE COPY.

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Message Attributes

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